

Fiscal Highlights

Utah Communications Authority Process/Internal Controls Recommendations - Gary R. Syphus

On Tuesday May 17th, the Legislative Fiscal Analyst (LFA) briefed the Executive Appropriations Committee (EAC) on the Utah Communications Authority (UCA) on their background/purpose, funding, how they differ in certain aspects from state agencies as an independent entity, recent issues concerning the misuse of a company credit card by a now former employee and related recommendations. The full brief can be found here: <http://le.utah.gov/interim/2016/pdf/00002242.pdf>. EAC adopted the recommendations and directed the LFA to work with the Co-Chairs to prepare legislation to implement the recommendations. The Legislative Auditor and State Auditor are also conducting or conducted an audit and after discussions with all the parties understand that the recommendations or expected recommendations do not conflict.

As an independent state agency, UCA's purpose primarily as it relates to statute is as a "public safety communications network, facilities, and 911 emergency services on a statewide basis for the benefit and use of public agencies, and state and federal agencies" (63H-7a-102). UCA receives direct funding from the State -- both from the General Fund and from certain restricted accounts -- and receives state taxpayer funds indirectly through public safety radio service fees paid by state agencies. UCA also has bonding authority. However, UCA is exempt from certain administrative, budgetary, and personnel laws to which other state agencies are subject. In the 2016 General Session, UCA was made subject to the Procurement Code.

Earlier this year, UCA reported that a now former employee admitted to using UCA credit cards paid with public funds for improper personal purchases. The fraud had been occurring for almost a decade, indicating lack of oversight and poorly executed internal controls were contributing factors. While the UCA board has taken a number of steps to improve oversight -- including dismissing the employee, its accountant, and its Executive Director -- the Legislative Fiscal Analyst recommends the following steps to improve financial oversight of public funds received by UCA, some of which UCA is working towards:

1. Make UCA subject to the Budgetary Procedures Act. This will give policymakers prospective insight onto UCAs budget, rather having only a retrospective look at UCA's finances.
2. Require UCA to use the state accounting system (FINET) rather than QuickBooks for accounting. This allows the Legislature and the Office of the Legislative Fiscal Analyst real-time access to UCA financial transactions. It also streamlines UCA reporting to the Utah Public Finance website -- www.utah.gov/transparency.
3. Require UCA to use the state Purchasing Card (PCard) rather than a commercial credit card. The PCard has many controls in place to detect and avoid fraud.
4. Direct the Division of Finance to consult with UCA on internal financial controls, implement any changes recommended by Finance, and report back to EAC or a subcommittee.
5. Rescind some or all of the \$17.5 million FY 2016 General Fund appropriation to UCA until all of the above steps are complete, the agency has secured a new executive director, financial manager, and accountant, and UCA has developed and submitted to the Legislature a long-term strategic plan for investment of the \$17.5 million.

As part of the recommendation, the LFA recommended that the Legislature consider conducting a review of all independent state agencies internal controls and processes and to structure processes of all independent state entities similar to what the LFA recommends for UCA.